

THOMAS J. VILSACK
GOVERNOR

STEVEN K. YOUNG, DIRECTOR

SALLY J. PEDERSON
LT. GOVERNOR

September 1, 2005

Michael E. Marshall
Secretary of the Senate
Iowa Senate
State Capitol
Des Moines, Iowa 50319

Margaret A. Thomson
Chief Clerk of the House
Iowa House of Representatives
State Capitol
Des Moines, Iowa 50319

Dear Mr. Marshall and Ms. Thomson:

Pursuant to Section 9 of House File 2562, an Act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA), I am pleased to submit this Final Report on the Implementation of House File 594 and House File 2562. This report includes a compilation of information for the timeframe beginning with the enactment of HF 594 through Fiscal Year 2005, much of which was also included in the Interim Report submitted in December, 2004.

As the report indicates, DIA has collaborated with the Department of Public Safety (DPS) and the Department of Administrative Services, Information Technology Enterprise, (DAS/ITE) to bring about the effective administration and enforcement of the provisions of Iowa Code chapter 99B, as amended by the above-mentioned legislation. An online registration system, developed by DAS/ITE, has permitted the registration of nearly 7,000 electrical and mechanical amusement devices. The system's database permits DIA to share location information with agents from DPS' Division of Criminal Investigation, which enforces the law. Since the beginning of the implementation of the amusement device registration law, DPS has visited all 99 counties at least once to ensure amusement devices are being offered and operated in compliance with the law.

LUCAS STATE OFFICE BUILDING, 321 EAST 12TH STREET, DES MOINES, IOWA 50319-0083

ADMINISTRATION (515) 281-5457 FAX: (515) 242-6863	ADMINISTRATIVE HEARINGS (515) 281-4843 FAX: (515) 281-4477	HEALTH FACILITIES (515) 281-4115 FAX: (515) 242-5022	INSPECTIONS (515) 281-6538 FAX: (515) 281-3291	INVESTIGATIONS (515) 281-5714 FAX: (515) 242-6507
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TELEPHONE NUMBER FOR THE HEARING IMPAIRED: (515) 242-6515

Mr. Marshall/Ms. Thomson
September 1, 2005
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The administration and enforcement of electrical and mechanical amusement devices has been a major undertaking for all departments involved in the law's implementation. However, I believe the final report clearly shows that much progress has been made in an efficient and cost-effective manner.

If you have any questions concerning this final report or implementation of the legislation, please contact my office at 281-5457.

Sincerely,

A handwritten signature in black ink that reads "Steve Young". The signature is written in a cursive, flowing style.

STEVEN K. YOUNG
Director

cc: Senate and House Government Oversight Committees
Senate and House State Government Committees

IOWA DEPARTMENT OF
INSPECTIONS AND APPEALS

Registration of Electrical and Mechanical Amusement Devices

Final Status Report on the Implementation of
House File 594 and House File 2562

September 2005

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**Final Report on the Implementation of HF 594 and HF 2562
Registration of Electrical and Mechanical Amusement Devices**

I. OVERVIEW OF HOUSE FILE 594

House File 594, an act relating to the registration of electrical and mechanical amusement devices (amusement devices), became effective on May 23, 2003. The law required amusement devices, that award a prize and where the outcome is not primarily determined by the skill or knowledge of the operator, be registered annually with the Iowa Department of Inspections and Appeals (Department) and imposed a \$25 per device registration fee. The law further required all manufacturers, manufacturers' representatives, and distributors of these amusement devices to register annually with the Department and pay a \$2,500 registration fee.

The law, which amended Iowa Code Chapter 99B, also contained the following provisions:

- Amusement devices may only be purchased or leased from a manufacturer, manufacturer's representative, or distributor registered with the Department.
- Qualified organizations exempt from federal income tax may have up to four (4) devices; all other entities may only have two (2) devices.
- Prizes awarded by the devices may only be redeemed on the premises where the devices are located and only for merchandise sold in the normal course of business. The maximum prize allowed is a coupon or token worth up to \$5 in merchandise – cash prizes may not be awarded.
- The Department may revoke a registration issued for a device if the registrant or agent of the registrant violates any provision or rules governing the operation of amusement devices.
- Revocation of a registration may last for a period of up to two years.

II. OVERVIEW OF HOUSE FILE 2562

On April 28, 2004, Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department. The new law, which took effect upon the Governor's signing, restricted the total number of electrical and mechanical amusement devices registered to the number registered with the Department as of the effective date of the act. That number is 6,928. A waiting list is in place to allow qualified entities to register devices as previous registrants drop their registrations.

In addition to restricting the number of electrical and mechanical amusement devices that can be registered, House File 2562 contained the following provisions:

- Prohibits the operation of registered electrical and mechanical amusement devices by anyone under the age of 21, and imposes a \$250 fine on an under-aged player.
- Provides that a person owning or leasing a registered electrical and mechanical amusement device who knowingly allows an underage player to operate the device is guilty of a simple misdemeanor.
- Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.
- Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may only be located on premises for which a Class “A,” Class “B,” Class “C” or Class “D” liquor control license or a Class “B” or Class “C” beer permit has been issued.
- Provides for the annual registration fees of \$2,500 for manufacturers and manufacturer’s representatives, \$5,000 for distributors, and \$2,500 for for-profit owners with two or fewer devices at a single location.
- Prohibits a person owning or leasing a device from advertising or promoting the device as anything other than an electrical and mechanical amusement device in accordance with rules established by the Department.
- Provides for each registered electrical and mechanical amusement device to include, by January 1, 2006, a counting mechanism to establish the volume of business of the device. The Department and the Department of Public Safety have access to the information provided by the mechanism.
- Provides for those registered electrical and mechanical amusement devices in Class “B” and Class “C” beer permit locations to include a security mechanism that prevents operation of the device by a person until the owner or owner’s designee permits operation.

III. OVERVIEW OF HOUSE FILE 646

House File 646, which in part impacted the registration of electrical and mechanical amusement devices, became effective on July 1, 2005. The law clarified that registered amusement devices shall not be a gambling device, as defined in section 725.9, or a device that plays poker, blackjack, or keno. The law also provided for a statutory funding mechanism for the administration and enforcement activities of the Department of Inspections and Appeals and the

Department of Public Safety. The funding mechanism had previously been in session law and expired as of June 30, 2005.

IV. ADMINISTRATIVE RULES PROCESS

On October 10, 2003, the Department filed a Notice of Intended Action to amend its administrative rules dealing with amusement devices [481 IAC 104] and adopt a new chapter pertaining to registered amusement devices [481 IAC 105] in accordance with the new law. The initial rules were drafted in cooperation with representatives from the Iowa Operators of Music and Amusements (IOMA), a professional association representing distributors, owners and operators of amusement devices in the State of Iowa.

The Department's noticed rules were reviewed by the Administrative Rules Review Committee (ARRC) at its November 10, 2003, meeting. Industry representatives told ARRC they disagreed with the Department's definitions of "owners" and "distributors." The industry did not see a distinction between nonprofit, qualified organizations that use the devices as a fundraising tool and private, for-profit entities engaged in the business of promoting or distributing amusement devices. This was, and has always been, a matter for legislative determination.

A public hearing was held on the proposed administrative rules on November 19, 2003, with comments received from one distributor of amusement devices. On December 17, 2003, the Department adopted the rules, after revising several of the sections to accommodate concerns expressed by amusement device owners, operators, and distributors. The ARRC reviewed the Department's Adopted and Filed rules at its February 9, 2004, meeting, at which time a 70-day delay was imposed to allow the Legislature time to address concerns expressed by the industry. After the passage of House File 2562 during the 2004 session, ARRC's delay was allowed to lapse on April 23, 2004, and the administrative rules became effective immediately.

Administrative rules to implement the amusement device changes addressed in HF 2562 and HF 646 will become effective September 7, 2005. A public hearing was held on the Department's noticed rules on June 1, 2005. The proposed rules were reviewed by the ARRC on June 14, 2005, and the Adopted and Filed rules were reviewed by the ARRC at its August 10, 2005, meeting. Comments received from the amusement device industry at the public hearing and before the ARRC primarily focused on the reporting procedures required by the Department, in conformance with legislative guidance, to determine the volume of business of each device. Industry disagreed with the periodic reporting of information from the counting mechanisms to DIA. In response to the public comments, the Department amended its Noticed rules to reduce the reporting requirements for amusement device owners, operators, and distributors. Although a motion for a 70-day delay on that portion of the rules dealing with the reporting requirements narrowly failed, committee members suggested the issue needed further review by the

legislature. Again this is a matter for legislative determination. The Department will register devices authorized for registration and track information required by the legislature. The Department takes no position on these policy determinations.

V. GAME MACHINE MANAGEMENT SYSTEM (GMMS)

Shortly after passage of HF 594, the Department entered into an agreement with the Department of Administrative Services (DAS), Information Technology Enterprise (ITE), to develop an online registration system for electrical and mechanical amusement devices. The online system, referred to as the Game Machine Management System (GMMS), would allow owners of amusement devices to apply and pay for registration stickers for their devices. In addition, the GMMS would allow manufacturers, manufacturers' representatives, and distributors of amusement devices to register with the Department and pay their annual registration fees.

The ITE-developed system permitted distributors of amusement devices to notify the Department of a change in the locations of their devices, as well as manage their accounts and inventories. Likewise, manufacturers and manufacturers' representatives could register with the Department in order to comply with the requirements of the law and transact business within the State of Iowa.

Prior to its unveiling, the GMMS was demonstrated by Department staff to the annual conference of Iowa Operators of Music and Amusements (IOMA) members in Des Moines. The system went online on September 26, 2003, with the first registrations occurring the following month.

As a result of the enactment of HF 2562, the Department was required to immediately suspend its online registration system, effectively limiting the number of devices operating in the State of Iowa to 6,928 machines. The Department initiated a new agreement with ITE to modify the existing online registration system pursuant to the new law. A notice was posted to the GMMS web site informing owners and operators of registered amusement devices that the online system had to be suspended.

Temporary suspension of the online registration system required registrants wanting to make changes or new applicants wanting to be placed on the registration waiting list to contact the Department by other means.

Changes to the system, as a result of the legislation, included:

- Restrict registration of active amusement device to 6,928.
- Fee schedules updated to reflect the law, including providing an automatic calculation for fees.
- Require a liquor license or beer permit number from the Alcoholic Beverages

- Division (ABD) to be entered during registration or renewal.
- Prohibit new registrations at beer permit only locations (such as convenience stores).
 - Add new codes for revocations and other penalties.
 - Add various standard reports for informational and management purposes.
 - Allow the Department of Revenue (IDR) to view screens to determine if sales tax is being paid.

As of December 8, 2004, the GMMS web site was reactivated. This allowed current registrants to begin renewing their registrations. Reactivation also allowed for-profit owners with registered devices to newly register as owners, as required by HF 2562. Only those individuals who created user accounts on the system prior to April 28, 2004, will be permitted to access the online database to make allowable entries. New users can also access the website, in order to establish a user ID to place themselves on the registration “waiting list”. The web address for GMMS is <https://www.egov.state.ia.us/gmms/>.

Further changes to the GMMS will be made related to the counting mechanism and information from periodic reports based on final Adopted rules. The Department relies on the legislature to guide these determinations, as they are policy driven.

For general information about amusement devices, including frequently asked questions, visit the Department’s web site at <http://www.state.ia.us/government/dia/page23.html>.

VI. CONSUMER/PUBLIC INFORMATION AWARENESS EFFORTS

Following the enactment of HF 594, known owners and distributors of amusement devices were kept apprised of the Department’s activities throughout the process of promulgating the administrative rules and the development of the online registration system. As previously mentioned, Iowa Organization of Music and Amusements (IOMA) representatives met with Department staff on several occasions during the drafting of the administrative rules. In addition, the unveiling of the online registration system occurred at the organization’s annual meeting in Des Moines.

In an effort to keep all Iowans advised of the requirements pertaining to electrical and mechanical amusement devices, the Department issued two media releases prior to any enforcement action by Department of Public Safety, Division of Criminal Investigation. The media releases were sent to all daily and weekly newspapers, and television and radio stations serving Iowa. The first release (issued February 4, 2004) urged owners and operators of amusement devices to register with the Department (Attachment “A”). The release not only detailed the requirements of the law, but also provided a web site address where individuals

could register their amusement devices. The second release (issued April 16, 2004) served as a second reminder for Iowans to register amusement devices in their possession prior to the beginning of DCI enforcement action (Attachment "B"). This release, too, provided a web site address through which the GMMS could be accessed.

Copies of the Department's media releases, as well as informational packets were mailed to all IOMA members to acquaint them with the requirements of House File 594 and the corresponding administrative rules. This information was also mailed to several national magazines catering to owners and operators of amusement devices.

As an additional way to reach as many owners of amusement devices as possible, a letter was sent in March, 2004, to liquor licensees to notify them of the requirement to register and how to register. (Attachment "C").

Additional information about the registration of electrical and mechanical amusement devices, including a series of "frequently asked questions," was posted to the Department's web site address: www.state.ia.us/government/dia/index.html. Iowans who called the Department's Social and Charitable Gambling Unit to ask about amusement device registrations were often referred to the Department web site where they could register online or download paper copies of the registration forms. The Department's web site was updated to reflect the enactment of HF 2562 and to notify users of the temporary suspension of the GMMS.

Following the enactment of HF 2562, the Department sent a letter to all current registrants to apprise them of the changes resulting from the legislation, including the cap on the number of registered amusement devices. (Attachment "D"). An additional letter was sent to registrants in March, 2005 (Attachment "E") to remind those persons with devices that must be removed by July 1, 2005, and to provide updates to the implementation of HF 2562. A third and final notice was sent to these persons in May, 2005.

Following the enactment of HF 646, the Department sent a letter in May, 2005, to all current registrants to apprise them of the changes related to the types of games that are prohibited on an amusement device, including poker, blackjack and keno.

DCI presented to the Law Enforcement Intelligence Network conferences and the Iowa Law Enforcement Academy Basic Criminal Investigations courses in 2003 and 2004 related to amusement device enforcement.

During the DCI enforcement initiative in April of 2004, information packets were provided to bar owners, distributors, etc.

DCI continues to meet and work with local law enforcement and county attorneys on an ongoing basis. Local law enforcement and county attorneys have been provided the DCI contact responsible for responding to concerns/questions about amusement devices in their areas.

The Department of Public Safety, Division of Criminal Investigation (DCI), presented to two Law Enforcement Workshops in June, 2004. These educational workshops were conducted by the Department of Public Safety in conjunction with the Iowa County Attorneys Association to explain newly enacted legislation that affects law enforcement and others in the criminal justice community.

VII. REGISTRATIONS

HF 594 required that certain amusement devices operating in Iowa be registered with the Department and that a registration sticker be purchased and prominently displayed on the front of each device. Likewise, all manufacturers, manufacturers' representatives, and distributors of amusement devices subject to registration were required to register with the Department and pay an annual registration fee of \$2,500. While charitable organizations were required to register their amusement devices, the organization itself was not required to pay an annual registration fee. The following chart shows the number devices or entities registered by category during Fiscal Year 2004:

Fiscal Year 2004 Registrations

Registration Type	Number
Amusement Devices	6,928
Manufacturers	3
Manufacturers' Representatives	4
Distributors	88

As a result of HF 2562, the maximum number of registered devices in operation at any one time in the state was capped at 6,928 on April 28, 2004. For Fiscal Year 2004, the 6,928 registered amusement devices were located at 2,985 premises around the state.

In Fiscal Year 2005, registrations for devices, manufacturers, manufacturer's representatives, and distributors came up for renewal for the first time. In addition, persons who are for-profit owners of registered devices, and are not a distributor, had to pay a registration fee of \$2,500, in addition to the registration fee for each device.

Fiscal Year 2005 Registrations

Registration Type	Number
Amusement Devices	6,554
Manufacturers	1
Manufacturers' Representatives	2
Distributors	83
Owners	48

A review of registration data indicates that registered amusement devices are located in virtually every county in Iowa. (A complete listing of registered amusement devices per county, as of August 1, 2005, can be found in Attachment "F").

The total number of registered amusement devices is lower than the capped number of 6,928 due to one distributor selling all of his devices (over 400) and owners choosing not to renew their devices. As of August 1, 2005, 6,627 amusement devices are registered. This is 301 registered devices under the cap of 6,928.

While the number of registered amusement devices may vary daily, the number never exceeds the cap of 6,928 at any one point in time. In order for an owner, distributor or qualified organization to register new or additional devices, a registration spot must be available. A registration spot may become available as a result of such situations as the sale of a device to a new owner or a device being removed from operation.

To provide a fair and equitable process for filling open registration spots, the Department established a "waiting list". Applicants are placed on the waiting list in the order their application is received. Applicants may only be on the waiting list for one device at a time.

VIII. ENFORCEMENT

Once the Department fulfills its limited administration functions, enforcement of HF 594, HF 2562, and HF 646 becomes the responsibility of the Department of Public Safety, Division of Criminal Investigation (DCI). The Attorney General's Office, County Attorneys and Local Law Enforcement also serve their respective roles in the enforcement of these laws.

The Department will often address complaints, either itself and/or as a referral to the DCI. The Department may also refer criminal cases to the Attorney General's Office, who works with the appropriate county attorney to prosecute an action. DIA may revoke a registration for up to two years for cause, following the opportunity for an evidentiary hearing, except in the case where a

person awards a cash prize. In this case, the registration shall be revoked for a period of ten years, following the opportunity for an evidentiary hearing. If the registrant has a liquor control license or beer permit, the registrant shall have their license or permit suspended for 14 days. The registrant with a beer permit shall also have their sales tax permit suspended for fourteen days. This is all according to Iowa Code.

The DCI has the responsibility to investigate complaints, either received direct or upon referral from DIA. The DCI may also refer criminal cases to the Attorney General's Office. The DCI has the authority to seize illegal devices and works with the appropriate County Attorney in the forfeiture process.

Since April, 2004, the DCI has visited all 99 counties, at least once, to inspect locations and devices to determine compliance with HF 594 and HF 2562. In many cases, the DCI works with local law enforcement during ongoing enforcement efforts.

During the week of April 19, 2004, the Department of Public Safety, Division of Criminal Investigation (DCI), conducted a statewide "sting" operation to identify amusement devices in non-compliance with HF 594, either as a result of no registration, no registration sticker, illegal gambling device, or too many devices in a single location. DCI conducted 489 inspections and found 85 non-compliant devices, of which 72 were seized.

When a device is seized, a receipt is provided to the responsible party and the device is held at a secure storage facility pending forfeiture action, in accordance with Iowa Code chapter 809. During the forfeiture process, the devices are normally inaccessible in regard to inventorying the contents. The contents are named in the seizure, as well as, the device. Dependent on forfeiture action, the device is then either returned to the registered owner or forfeited to the State of Iowa for destruction purposes. The seized proceeds are placed into the seized assets account of the Department of Public Safety and are dispersed according to established policies.

From June, 2004 through June, 2005, DCI inspected 2,021 locations for non-compliance violations, either due to a complaint or ongoing enforcement. The inspections involved 1,538 devices, of which 48 were seized for non-compliance. In addition, a total of 88 complaints were investigated during this time period, resulting in the seizure of 7 devices.

Attachment "G" provides the monthly detail of activity by the DCI.

IX. FEES AND EXPENDITURES

For Fiscal Years 2004 and 2005, registration fees provide the funding for the administration and enforcement of HF 594 and HF 2562. Any fee revenue not expended during Fiscal Year 2004 carried over to Fiscal Year 2005 for the same purpose. The Department and the DCI have a financial agreement defining the estimated Fiscal Year expenditures for each agency.

For Fiscal Year 2004, \$410,700 was generated from the registration fees. Total expenditures charged to the amusement device registration fund were \$91,800. Of this amount, \$76,415 was DIA and \$15,385 was DCI. Expenditures were less than originally anticipated, especially in the enforcement area, due to the “ramp up” time for the program and the delay in the effective date of the administrative rules.

For Fiscal Year 2005, \$706,350 was generated from the registration fees. Total expenditures charged to the amusement device registration fund were \$210,148. Of this amount \$101,161 was DIA and \$108,987 was DCI.

X. THE FUTURE

The Department will continue to further refine the GMMS, as necessary, to ensure the appropriate information is available, pursuant to statute, for administration and enforcement of the law and implementation of activities related to the counting mechanism. For reporting, the Department is reliant upon direction from the legislature.

The Department and DCI will continue to address complaints as received, continue ongoing enforcement efforts to ensure only compliant devices are offered and used in the state, and maintain the registration online system and database.

The Department and the DCI believe the fee structure is sufficient, at this time, to cover future expenses of the Department and the DCI to implement the law.

Please contact Beverly Zylstra, DIA Legislative Liaison, at 515-281-6442 or at beverly.zylstra@dia.state.ia.us with any questions concerning this report or about the program. Questions specific to enforcement should be directed to Ross Loder, DPS Legislative Liaison, at 515-281-5043 or at loder@dps.state.ia.us.

ATTACHMENT

"A"

Iowa Department of Inspections and Appeals

Lucas State Office Building * Des Moines, Iowa * 50819-0083

FOR IMMEDIATE RELEASE

Date: February 4, 2004

Contact: David Werning
(515) 281-7376

Owners and Operators of Amusement Devices Urged to Register With DIA

DES MOINES, IOWA - Iowans who own, operate or distribute electrical and mechanical amusement devices in the state must immediately begin to register their devices with the Iowa Department of Inspections and Appeals (DIA) or potentially face criminal prosecution, DIA Director Steve Young said today. Individuals who manufacture amusement devices and those who represent manufacturers also must register with DIA if they intend to make amusement devices available for sale or use in Iowa.

Beginning February 11, agents with the Iowa Division of Criminal Investigations (DCI) and local law enforcement officials may confiscate any device that is not registered with DIA. A state-issued sticker prominently displayed on the front of the device is evidence that the device is properly registered, Young added.

The amusement devices required to be registered with DIA are those devices that issue a ticket or token worth up to \$5 in merchandise redeemable on the premises where the machine is located, the Director explained. The outcome of the game played on the device is not dependant upon the player's skill or knowledge. According to DCI estimates, there may be as many as 10,000 electrical and mechanical amusement devices in operation in Iowa, all of which must be registered with DIA in order to comply with a newly enacted state law.

"Last year the Iowa General Assembly passed a law requiring that certain electrical and

mechanical amusement devices be registered with the department," Young continued, adding: "Amusement devices are not new in the state of Iowa. There have been such devices and games in Iowa for many, many years. However, law enforcement officials were becoming concerned about the proliferation of these devices, especially those that resemble slot machines and can be adapted to pay out cash prizes."

As a result of the concern, legislators made adjustments to the state's social and charitable gambling laws to require the registration of amusement devices that pay out prizes, as well as the registration of manufacturers, manufacturers' representatives, and distributors of amusement devices. Each device registered with DIA must have a state-issued sticker permanently affixed to the front of the machine and visible to the general public. The annual cost of registering an electrical and mechanical amusement device is \$25 per machine.

Additional restrictions on the use of electrical and mechanical amusement devices include the following:

- * Amusement devices may only be purchased or leased from a manufacturer, manufacturer's representative or distributor registered with DIA.
- * Qualified organizations exempt from federal income tax may have up to four (4) amusement devices per location; all other entities may only have two (2) devices per location.

"The law further provides that a manufacturer, manufacturer's representative, or distributor of an electrical and mechanical amusement device also must be registered with DIA if the individual intends to make a device available for sale or use in the state of Iowa," Young said. The annual registration fee for a manufacturer, manufacturer's representative or distributor is \$2,500 per category.

To facilitate the registration of amusement devices and those individuals who make, sell, or promote their use, the department worked with the state's Information Technology Enterprise (ITE) to establish an online registration system. Amusement device owners and operators, as well as those individuals required by law to register with DIA can access an Internet-based registration system where they can list any devices in their possession and pay the appropriate registration fee, the Director said.

The system, referred to as the Gaming Machine Management System (GMMS), can be accessed through DIA's web site at www.state.ia.us/government/dia. Information about the registration of amusement devices as well as restrictions on their use can also be found on the department's web site. Since its inception last September 26, nearly 1,500 individual devices have been registered via the GMMS online system. In addition to the devices, 29 distributors and two manufacturer's representatives have registered with the department.

Failure to register an amusement device with DIA may result in the refusal to issue a registration or the revocation of an existing registration. The revocation of a registration can last for a period of up to two years. Individuals found to have amusement devices in violation of Iowa law can have their devices confiscated by law enforcement officials and can face possible criminal prosecution.

The department's Social and Charitable Gambling Unit is responsible for the registration of electrical and mechanical amusement devices. Individuals with questions about the new law may contact the Unit at (515) 242-5264.

ATTACHMENT "B"

MEDIA RELEASE

Iowa Department of Inspections and Appeals □ Lucas State Office Building □ Des Moines, Iowa 50319-0083

For Immediate Release

Date: April 16, 2004
Contact: David Werning
Phone: (515) 281-7376

Registered Amusement Device Rules Now In Effect – Enforcement Actions Pending

DES MOINES, IOWA – Iowa Department of Inspections and Appeals (DIA) Director Steve Young today reminded owners, operators, distributors and manufacturers of electrical and mechanical amusement devices to continue registering their devices or face potential criminal prosecution. “The Department’s administrative rules regulating these devices are now in effect, which means that individuals who have failed to comply with the law may now be subject to criminal penalties, including the confiscation of their amusement devices,” Young said.

Earlier this year, the Department adopted new administrative rules regulating electrical and mechanical amusement devices. However, the Legislature’s Administrative Rules Review Committee delayed the implementation of those rules.

“On Monday the Committee removed its delay on the Department’s rules, which means they are now in effect,” the Director noted, adding: “Enforcement with the law is forthcoming.”

Under DIA’s administrative rules, all electrical and mechanical amusement devices that pay out prizes are required to be registered with the Department. Individuals who act as a manufacturer, manufacturer’s representative, or distributor of these devices also must be registered with DIA. Each registered device must have a state-issued sticker permanently affixed to the front of the machine and

viable to the general public. The annual cost of registering an electrical and mechanical amusement device is \$25 per machine.

Additional restrictions on the use of electrical and mechanical amusement devices include the following:

- Amusement devices may only be purchased or leased from a manufacturer, manufacturer's representative, or distributor registered with DIA.
- Qualified organizations exempt from federal income tax may have up to four (4) registered amusement devices per location; all other entities may only have two (2) registered amusement devices per location.

"Iowa law requires that a manufacturer, manufacturer's representative, or distributor of an electrical and mechanical amusement device be registered with DIA if the individual intends to make a device available for sale or use in the State of Iowa," Young continued. The annual registration fee for a manufacturer, manufacturer's representative, or distributor is \$2,500 per category.

To facilitate the registration of amusement devices, manufacturers, manufacturer's representatives, and distributors, the Department developed an online registration system. The system, referred to as the Gaming Machine Management System (GMMS), can be accessed through the DIA's web site at www.state.ia.us/government/dia. Information about the registration process, as well as restrictions on the amusement devices can also be found on the Department's web site. Since its inception on September 26, 2003, more than 4,000 electrical and mechanical amusement devices have been registered. In addition, more than 75 manufacturers, manufacturer's representatives, and distributors have registered with the Department.

"In order to comply with the law and avoid possible criminal charges, I urge all Iowans who own, operate, manufacture or distribute electrical and mechanical amusement devices to register these machines with the Department," Young concluded. DIA's Social and Charitable Gambling Unit is responsible for the registration of amusement devices. Individuals with questions about the law or the Department's administrative rules should contact the Unit at (515) 242-5264.

ATTACHMENT

"C"

March 15, 2004

Dear Sir or Madam:

There is new legislation governing amusement devices, which print tickets in exchange for merchandise.

If you own one or more of these devices, it is your responsibility to register your device(s) in compliance with the new legislation. To register your device(s), you may visit our website at www.state.ia.us/government/dia. This is the main web page for the Department of Inspections and Appeals. About half way down the page, you will see Registered Amusement Devices. This will take you to the Amusement Device page where you can access step-by-step instructions on how to use our online registration system. There is also a link to the online registration system and the current legislation and rules as well as frequently asked questions.

If you lease one or more of these devices and there is no registration sticker on the device(s), it is your responsibility to inquire whether the person you are leasing your device(s) from has registered the device(s) and when they will be placing a registration sticker on the device(s).

There is a limit of two devices per location on these Amusement Devices for a for-profit business. A charitable organization is allowed up to 4 devices per location. I have enclosed a copy of House File 594 for informational purposes.

If you do not have access to a computer and wish to obtain a paper application, or if you have questions regarding the registration of these devices, contact Terri Duden at (515) 242-5264.

Sincerely,

A handwritten signature in cursive script that reads "Sherry Hopkins".

Sherry Hopkins
Program Manager
Social and Charitable Gambling
Department of Inspections and Appeals

ATTACHMENT "D"

May 25, 2004

Dear Registrant:

On Wednesday, April 28, 2004, Iowa Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA). The new law, which took effect upon the Governor's signing, restricts the total number of electrical and mechanical amusement devices registered to the number registered with DIA as of the effective date of the act.

Therefore, effective at the close of business on April 28, 2004, no more electrical and mechanical amusement devices may be registered with the Department. Only those registration applications mailed to the Department **AND** postmarked no later than April 28, 2004, will be processed. All other applications will be returned to the sender.

In addition to restricting the registration of electrical and mechanical amusement devices, the new law makes the following changes to Iowa Code Chapter 99B:

- Prohibits the operation of registered electrical and mechanical amusement devices by anyone under the age of 21, and imposes a \$250 fine on an under-aged player.
- Provides that a person owning or leasing a registered electrical and mechanical amusement device who knowingly allows an underage player to operate the device is guilty of a simple misdemeanor.
- Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.
- Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may remain at premises for which a Class "A," Class "B," Class "C" or Class "D" liquor control license or a Class "B" or Class "C" beer permit has been issued. No further electrical and mechanical amusement devices may be placed at premises for which a Class "B" or Class "C" beer permit has been issued, after the effective date of this Act (April 28, 2004). Any establishment with a Class "B" or Class "C" beer permit is not allowed to remove, replace, or increase in number the electrical and mechanical amusement devices located on the premises after the effective date of this Act (April 28, 2004) for any purpose other than repairs.
- Provides for an annual registration fee of \$2,500 for manufacturers, manufacturers' representatives, and for profit owners of 1 location and up to two devices. \$5,000 for distributors, and for-profit owners with two or more locations.
- Prohibits a person owning or leasing a device from advertising or promoting the device as anything other than an electrical and mechanical amusement device in accordance with rules by DIA.
- Provides for each registered electrical and mechanical amusement device to include, by January 1, 2006, a counting mechanism to establish the volume of business of the device. DIA and the Iowa Department of Public Safety (DPS) have access to the information provided by the mechanism.
- Provides for those registered electrical and mechanical amusement devices in Class "B" and Class "C" beer permit locations to include a security mechanism that prevents operation of the device by a person until the owner or owner's designee permits operation by July 1, 2004.

The website for electrical and mechanical amusement device registration has been temporarily disabled to allow for adjustments and updates to comply with the new legislation. We apologize for any inconvenience this may cause. However, if you need any changes or adjustments to your account during this period, please e-mail tduden@dia.state.ia.us or fax the information to (515) 281-3291.

The above changes in fees will be effective upon renewal of your registration. All other changes are effective as of the dates listed above. Specifics involving the enforcement of the above legislation will be addressed in a revision of the Administrative Rules, which will be available in the future.

Upon renewal of devices and locations, you should verify all locations and machines, for correct and complete information before renewing. Any missing information will disallow the machines at that location from renewal. With that in mind, let this serve as notice that the following information will be needed in order to renew and comply with the new legislation: Liquor License or Beer Permit number(s), Tax Identification or Social Security number at the location, charitable gambling license number for charitable organizations (or copy of 501c designation letter from IRS if we do not already have one on file), complete addresses (mailing and street addresses, a post office box alone will not be acceptable since it does not tell us where the location is), and phone numbers. Typing in unknown or zeros in any of these required fields will be cause to disallow the renewal of the machines at the location. Paper applications and renewals with incomplete information will be returned for completion and will also be disallowed if no response is received.

If you have any questions regarding the above information please call Terri Duden at (515) 242-5264

Sincerely,

A handwritten signature in cursive script that reads "Sherry Hopkins".

Sherry Hopkins
Electrical and Mechanical Amusement Device
Program Manager

SH/tld

March 21, 2005

Dear Registrant:

On Wednesday, April 28, 2004, Iowa Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA). The new law, which took effect upon the Governor's signing, restricts the total number of electrical and mechanical amusement devices registered to the number registered with DIA as of the effective date of the act.

With regard to restricting the registration of electrical and mechanical amusement devices, the following changes to Iowa Code Chapter 99B are being enforced:

- Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.
- Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may remain at premises for which a Class "A," Class "B," Class "C" or Class "D" liquor control license or a Class "B" or Class "C" beer permit has been issued. No further electrical and mechanical amusement devices may be placed at premises for which a Class "B" or Class "C" beer permit has been issued, after the effective date of this Act (April 28, 2004). Any establishment with a Class "B" or Class "C" beer permit is not allowed to remove, replace, or increase in number the electrical and mechanical amusement devices located on the premises after the effective date of this Act (April 28, 2004) for any purpose other than repairs.

Please remember to notify this office when these devices are removed.

You will not be responsible for filing a quarterly report with DIA for the first quarter of 2005. The rules pertaining to HF2562 have not yet been completed and the online form for filing quarterly reports is not yet functioning properly. You will be responsible for filing your quarterly sales tax with the department of revenue. This office will notify you as to when you will be required to begin filing quarterly reports with us and will mail out paper quarterly report forms with that notification for those of you who do not have access to the online registration system. The online form will figure the sales tax for you and pre-fill all of your location information when it is functioning properly, therefore, it will be the fastest and easiest way to file quarterly reports. The paper forms will have no pre-filled information on them and will be a generic form. If you are interested in gaining access to the online registration system, please contact Julie Jones at (515)242-5264 for the user ID and password.

Sincerely,



Sherry Hopkins
Electrical and Mechanical Amusement Device
Program Manager

SH/jfj

May 26, 2005

Third and Final Notice

Dear Registrant:

On Wednesday, April 28, 2004, Iowa Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA). The new law, which took effect upon the Governor's signing, restricts the total number of electrical and mechanical amusement devices registered to the number registered with DIA as of the effective date of the act.

With regard to restricting the registration of electrical and mechanical amusement devices, the following changes to Iowa Code Chapter 99B are being enforced:

- **Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.**
- **Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may remain at premises for which a Class "A," Class "B," Class "C" or Class "D" liquor control license or a Class "B" or Class "C" beer permit has been issued. No further electrical and mechanical amusement devices may be placed at premises for which a Class "B" or Class "C" beer permit has been issued, after the effective date of this Act (April 28, 2004). Any establishment with a Class "B" or Class "C" beer permit is not allowed to remove, replace, or increase in number the electrical and mechanical amusement devices located on the premises after the effective date of this Act (April 28, 2004) for any purpose other than repairs.**

Please remember to notify this office when these devices are removed.

This will be your last notice to remove these machines from non-liquor control licensed locations or non-beer permit locations/premises by July 1, 2005. FAILURE TO DO SO MAY RESULT IN LEGAL AND ADMINISTRATIVE ACTION.

Sincerely,



Jules Jones
Amusement Devices

ATTACHMENT "E"

May 26, 2005

Dear Registrant:

On Wednesday, May 4, 2005, Iowa Governor Tom Vilsack signed into law House File 646, an act concerning social and charitable gambling, including regulating cash raffles at fairs, prohibiting raffles at annual game nights, establishing a permanent electrical and mechanical amusement devices special fund and providing an appropriation, prohibiting certain games on electrical or mechanical amusement devices and bonafide contests, and providing for the denial, suspension, and revocation of certain gambling licenses by the Department of Insections and Appeals.

This section may affect you:

New Subsection. 9. An electrical or mechanical amusement device required to be registered as provided in this section shall not be a gambling device, as defined in section 725.9, or a device that plays poker, blackjack, or keno.

This means if you have poker, blackjack, or keno, on an amusement device, you must remove them by July 1, 2005. FAILURE TO DO SO MAY RESULT IN LEGAL AND ADMINISTRATIVE ACTION.

Sincerely,

A handwritten signature in cursive script, appearing to read "Julie Jones".

Julie Jones
Amusement Devices

ATTACHMENT "F"

REGISTERED AMUSEMENT DEVICES
By County

Adair	27
Adams	5
Allamakee	44
Appanoose	36
Audubon	11
Benton	42
Black Hawk	413
Boone	28
Bremer	33
Buchanan	65
Buena Vista	34
Butler	22
Calhoun	24
Carroll	105
Cass	57
Cedar	29
Cerro Gordo	193
Cherokee	19
Chickasaw	90
Clarke	35
Clay	33
Clayton	68
Clinton	140
Crawford	52
Dallas	90
Davis	10
Decatur	21
Delaware	42
Des Moines	237
Dickinson	94
Dubuque	179
Emmet	13
Fayette	50
Floyd	27
Franklin	21
Fremont	18
Greene	10
Grundy	13
Guthrie	19
Hamilton	39
Hancock	23
Hardin	73
Harrison	37
Henry	31
Howard	29
Humboldt	23
Ida	12
Iowa	74
Jackson	46
Jasper	51
Jefferson	40
Johnson	148
Jones	44
Keokuk	40
Kossuth	28
Lee	156

Linn	445
Louisa	16
Lucas	22
Lyon	7
Madison	14
Mahaska	41
Marion	37
Marshall	111
Mills	24
Mitchell	27
Monona	34
Monroe	30
Montgomery	73
Muscatine	71
O'Brien	19
Osceola	5
Other*	199
Page	15
Palo Alto	21
Plymouth	31
Pocahontas	12
Polk	606
Pottawattamie	170
Poweshiek	35
Ringgold	9
Sac	26
Scott	274
Shelby	24
Sioux	13
Story	87
Tama	44
Taylor	11
Union	74
Van Buren	14
Wapello	107
Warren	79
Washington	26
Wayne	9
Webster	179
Winnebago	31
Winneshiek	46
Woodbury	116
Worth	18
Wright	32
TOTAL	6,627

*Other pertains to machines that are being stored in warehouses in bordering cities to Iowa

ATTACHMENT "G"

**DIVISION OF CRIMINAL INVESTIGATION
AMUSEMENT DEVICE ENFORCEMENT ACTIVITY**

PUBLIC INFORMATION ACTIVITY:

- Presented at the Acts of Interest to Law Enforcement Workshops (2) held in June of 2004. These are educational workshops conducted by the Department of Public Safety in conjunction with the Iowa County Attorneys Association to explain the newly enacted legislation that affects law enforcement and others in the criminal justice community.
- Distributed informational packets to bar owners, distributors, etc.
- Met and worked with local law enforcement and county attorneys. Provided contact information with DCI to respond to concerns/questions about amusement devices in their areas.
- Presented to LEIN (Law Enforcement Intelligence Network) conferences and to the Iowa Law Enforcement Academy Basic Criminal Investigations courses in 2003 and 2004.

DCI OPERATIONS:

(Did not issue citations during the period that the administrative rules were delayed.)

April 2004: Number of counties: 19

Number of inspections:	489
Number non-compliant devices:	85
Number seized:	72

Total hours: 359

June 2004: Number of counties: 11

Number of locations inspected:	51
Number of devices inspected:	39
Number of registration violations	0
Number of other 99B.10 violations:	2
Number of devices seized:	0

Complaints received during period:	5
Number investigated:	4
Number seized:	0
Local law enforcement contacts:	4
Assists by locals:	1
Hearings attended:	1

Total hours: 113.5

July 2004: Number of counties: 12

Number of locations inspected:	182
Number of devices inspected:	142
Number of registration violations:	2
Number of other 99B.10 violations:	5
Number seized:	0

Complaints received during period:	8
Number investigated:	8
Local law enforcement contacts:	18
Hearings attended:	1

Total Hours: 399

Also issued several warnings on various violations and conducted local training during this time.

August 2004: Number of counties: 27

Number of locations inspected:	355
Number of devices inspected:	283
Number of registration violations	5
Number of other 99B.10 violations:	9
Number seized:	2

Complaints received during period:	10
Number investigated:	14
Number of devices seized:	0
Local law enforcement contacts:	20
Assists by local:	2
Hearings attended:	1

Total Hours: 621

Conducted three presentations to local and county law enforcement agencies.

September 2004: Number of counties: 24

Number of locations inspected:	316
Number of devices inspected:	253
Number of registration violations	12
Number of other 99B.10 violations:	15
Number seized:	10

Complaints received during period:	5
Number investigated:	6
Devices seized:	3
Local law enforcement contacts:	12
Hearings attended:	0

Total Hours: 464.5

Meetings held with Polk, Warren, and Clark County attorneys on case activity of seized devices.

October 2004: Number of counties: 23

Number of locations inspected:	183
Number of devices inspected:	139
Number of registration violations	8
Number of other 99B.10 violations:	5
Number of devices seized:	7

Complaints received during period:	6
Number investigated:	3
Number seized:	2
Local law enforcement contacts:	8
Assists by locals:	1
Hearings attended:	2

Total hours: 418

Met with Polk and Warren county attorneys. Presented on illegal amusement devices and liquor inspections to law enforcement. Gave verbal warnings related to social gaming, liquor license requirements, etc.

November 2004: Number of counties: 16

Number of locations inspected: 236
Number of devices inspected: 190
Number of registration violations 7
Number of other 99B.10 violations: 21
Number of devices seized: 3

Complaints received during period: 4
Number investigated: 4
Number seized: 0
Local law enforcement contacts: 10
Assists by locals: 5
Hearings attended: 1

Total Hours: 207

Provided verbal warnings related to alcohol and liquor license requirements.

December 2004: Number of counties: 23

Number of locations inspected: 207
Number of devices inspected: 143
Number of registration violations 9
Number of other 99B.10 violations: 7
Number of devices seized: 2

Complaints received during period: 24
Number investigated: 12
Number seized: 0
Local law enforcement contacts: 13
Assists by locals: 7
Hearings attended: 0

Total Hours: 424

January 2005: Number of counties: 17

Number of locations inspected: 123
Number of devices inspected: 50
Number of registration violations 0
Number of other 99B.10 violations: 1
Number of devices seized: 1

Complaints received during period: 10
Number investigated: 8
Number seized: 0
Local law enforcement contacts: 41
Assists by locals: 3
Hearings attended: 5

Total Hours: 286

February 2005: Number of counties: 27

Number of locations inspected: 137
Number of devices inspected: 91
Number of registration violations 7
Number of other 99B.10 violations: 4
Number of devices seized: 0

Complaints received during period: 18
Number investigated: 14
Number seized: 2
Local law enforcement contacts: 9
Assists by locals: 1
Hearings attended: 0

Total Hours: 286.5

March 2005: Number of counties: 11

Number of locations inspected: 119
Number of devices inspected: 128
Number of registration violations 17
Number of other 99B.10 violations: 14
Number of devices seized: 12

Complaints received during period: 10
Number investigated: 10
Number seized: 0
Local law enforcement contacts: 9
Assists by locals: 3
Hearings attended: 0

Total Hours: 234.5

April 2005: Number of counties: 14

Number of locations inspected: 74
Number of devices inspected: 32
Number of registration violations 3
Number of other 99B.10 violations: 0
Number of devices seized: 3

Complaints received during period: 4
Number investigated: 2
Number seized: 0
Local law enforcement contacts: 4
Assists by locals: 2
Hearings attended: 0

Total Hours: 167.25

May 2005: Number of counties: 8

Number of locations inspected: 41
Number of devices inspected: 40
Number of registration violations 6
Number of other 99B.10 violations: 5

Number of devices seized:	8
Complaints received during period:	3
Number investigated:	2
Number seized:	0
Local law enforcement contacts:	11
Assists by locals:	6
Hearings attended:	0

Total Hours: 172.5

June 2005: Number of counties: 1

Number of locations inspected:	7
Number of devices inspected:	8
Number of registration violations	2
Number of other 99B.10 violations:	0
Number of devices seized:	0

Complaints received during period:	2
Number investigated:	1
Number seized:	0
Local law enforcement contacts:	2
Assists by locals:	0
Hearings attended:	0

Total Hours: 72